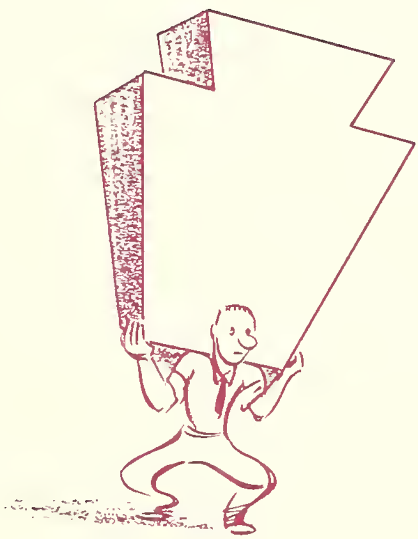
toward those freer, easier days ahead..

know your

STATE EMPLOYES' RETIREMENT SYSTEM



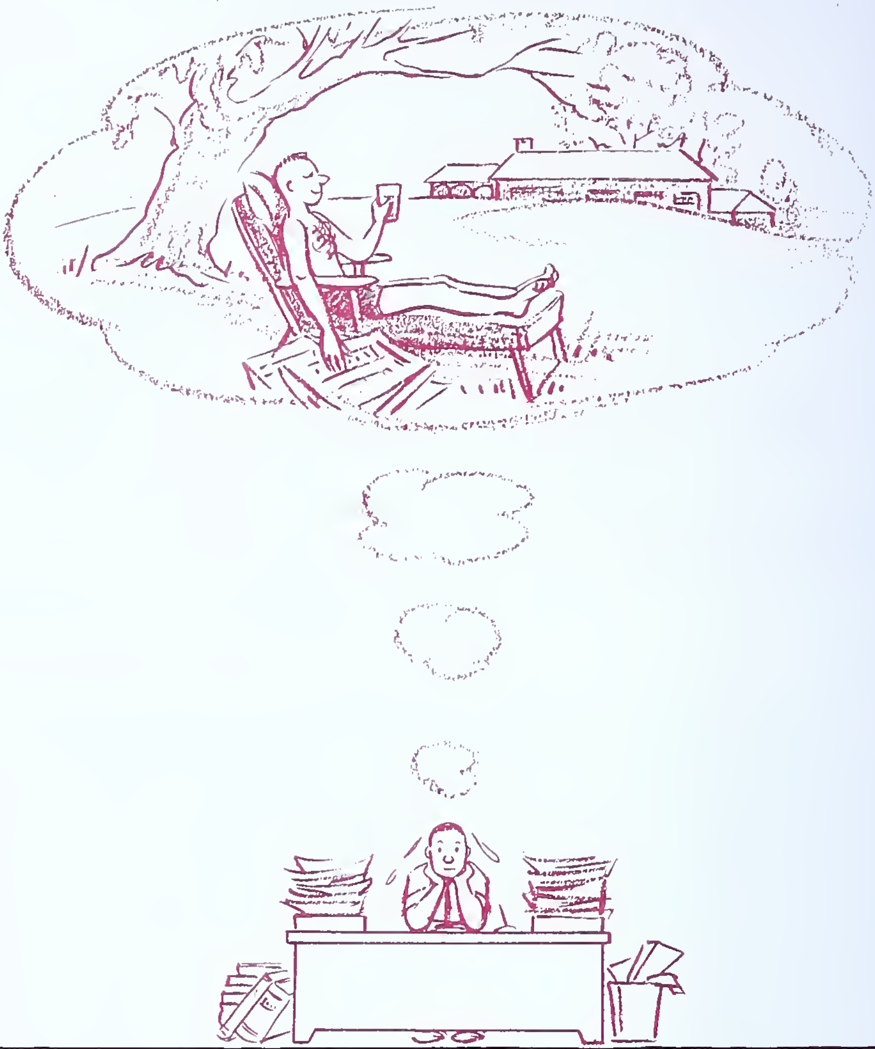
COMMONWEALTH OF PENNSYLVANIA

To My Fellow State Employe:

One of the most important factors to be considered when you accept a new job is the provision your employer makes for your old age and retirement. The people of Pennsylvania, your employers, have provided for your future through the State Employes' Retirement System, which is outlined in this booklet. You will find here answers to many of your questions about this important fringe benefit of your employment by the Commonwealth.

The Retirement System is evidence that state government affords professional careers in many fields, with long-range security for earnest and dedicated service to the people of Pennsylvania.

David L. Lawrence
Governor



PENNSYLVANIA
STATE EMPLOYES' RETIREMENT BOARD

*** Honorable E. James Trimarchi, Jr., Chairman**

*** Honorable Mrs. Grace Sloane**

**** Mrs. Louise Johns**

***** Judge Adrian Bonnelly**

***** Frank N. Happ**

Fred G. Klunk, Secretary
William D. Barber, Assistant Secretary

* Ex officio—Secretary of the Commonwealth
State Treasurer
** Appointed by Governor
*** Elected from Membership

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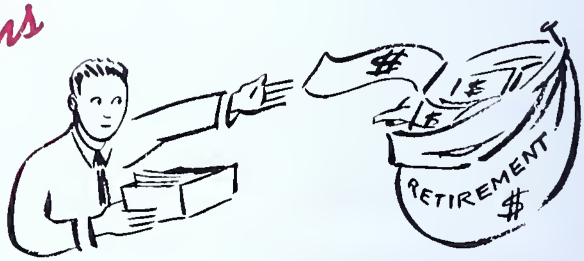
It just happens

All state employes automatically become members of the Retirement System from their first day of work with the Commonwealth. This includes all salaried and most per diem and hourly employes of all the administrative departments of the government, as well as judges, legislators, state policemen, and members and employes of the various independent commissions and boards, such as the Liquor Control Board and the Pennsylvania Turnpike Commission.

Immediately after your first payroll is processed, a special account is set up in your name by the Retirement Board. You will be sent a certificate of membership and asked to designate a beneficiary, someone who will receive the money in your account in the event of your death. You should keep this certificate in a safe place with your other valuable documents.

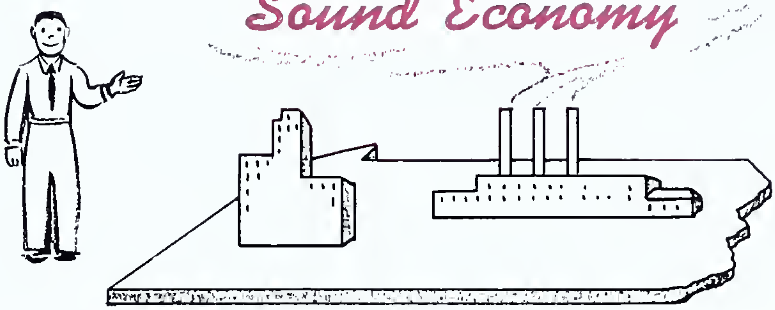
Your Contributions



Beginning with your first paycheck, a certain percentage of your salary or wages will be deducted as your contribution toward your retirement. This percentage, ranging from five to ten per cent, is based upon your age when you enter the system. The lower your age, the lower your deduction, because you will

have more years to work toward your retirement. But once this rate of contribution is set, it never changes as long as you remain a member of the retirement system.

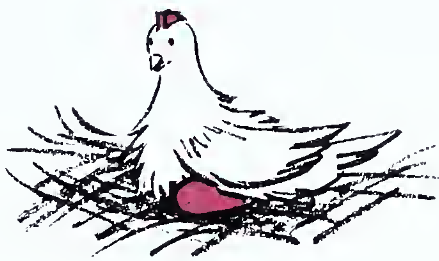
Sound Economy



This money, as it accumulates in your retirement account, is soundly invested by the Board through its expert investment advisors so as to bring four per cent interest each year, which is also added to your account.

These investments bring you another side benefit. The Board channels the retirement funds into businesses and industries throughout Pennsylvania, helping to keep the Commonwealth's economy flourishing, creating jobs and adding to the prosperity of our communities.

Protecting your nest egg . . .



Should you leave your job with the state before becoming eligible for retirement, all this money will be returned to you, together with all the interest it earned. After even a few years of state employment, this will add up to a tidy nest egg.

Every year you will receive a full statement of the money in your account, including the interest earned.

Remember, the funds you save toward your retirement always remain *your* money. Your retirement funds can never be

taken from you by any legal means. No liens may be placed against it for any reason. Your retirement money is protected for *you.*

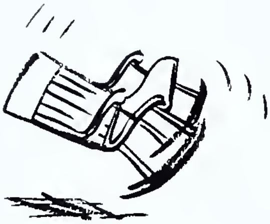
Keeping it "in the family" with loans from STATE EMPLOYES CREDIT UNION...

The funds in your state retirement account may not be assigned as collateral for loans, mortgages, and so forth, except in one instance. The State Employes Credit Union, operated by and for state employes, is authorized to make loans of up to $300 to employes, who must assign the amount of the loan from their retirement accounts as collateral. Applications should be made to the State Employes Credit Union.

When you're ready . . . .

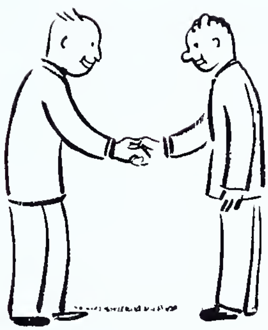
You become eligible for *full* retirement benefits when you reach 60 years of age, no matter how many or how few years of state service you have accumulated; although, naturally, the

longer you have been employed by the state, the greater your retirement benefits.



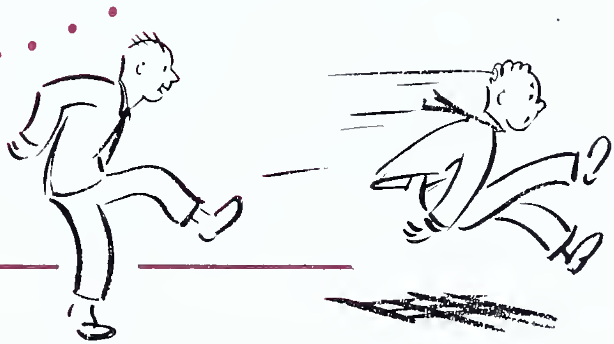
If you don't care to wait until you are 60 years old, you can retire at any time after you have completed 25 years of service and receive a generous retirement check every month.

AFTER 10 YEARS

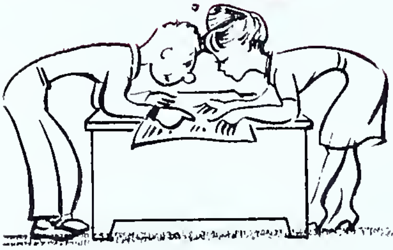


You are also eligible for retirement benefits after only 10 years service if you are *dismissed* from your state job for any reason. Remember, however, that you must be dismissed involuntarily from your job—not quit at your own pleasure.

You must be dismissed involuntarily . . .



HOW ? MUCH



The amount you will receive each year after retirement, called your "annuity," depends mainly on two factors.

First, there is the factor of "length of service." The longer you have worked for the state before retiring, the higher your benefits will be, because the longer you work, the more you are saving toward retirement.

Secondly, there is the factor of your salary in your state job. The more you earn as a state employe, the more you will contribute toward your retirement and the more the state will contribute. When the time comes to figure out how much your retirement check will be, the Board reviews your salary record over the years of your service. The highest five years of salary are added together and the total is divided by five to give the average salary for those five years. This figure is known as your *FINAL AVERAGE SALARY* and is very important in determining your benefits.

Do it yourself

There is a way to compute the *approximate* annuity you will receive at age 60.

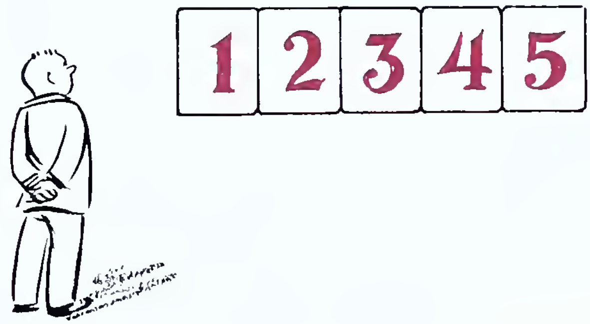
First, compute your "final average salary" as explained above. Multiply your "final average salary" by two per cent. Then multiply the figure you get by the number of years of state service; you now have the approximate amount that you would receive each year in pension checks as *full* benefits under the retirement system.

The Formula, then, is:

final average salary x 2% x number of years of service

It is important to remember that in order to receive your full retirement benefits you must be 60 years of age, which is known as the "superannuation age." If you retire before you reach 60, your benefits will be reduced by each year you are younger than the superannuation age.

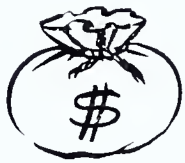
Take your choice



When you are ready for retirement you may do any one of five things with your retirement money.

First

You can withdraw all your money from your retirement account in one lump sum. This will consist of all the money you contributed plus the interest it earned over the years. This, of course, is not a retirement plan at all, and the state pays nothing toward it.



Second

FULL RETIREMENT

The first retirement plan is called *FULL RETIREMENT*. You receive the full annuity due you, for as long as you live. However, payments cease upon your death, and no benefits are paid to your family or any beneficiary.

Third

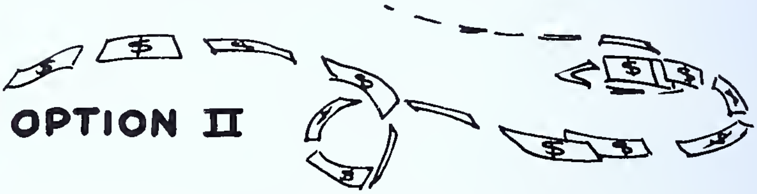
OPTION I

Under the next plan, called *OPTION ONE,* you agree to accept a lesser amount than your full annuity so that your beneficiary *will receive benefits after your death.* You

receive a retirement check monthly for as long as you live. After your death, your beneficiary receives, in one lump sum payment, whatever amount remains in your account. This plan allows you to name another beneficiary in the event the first one you designate dies before you do.

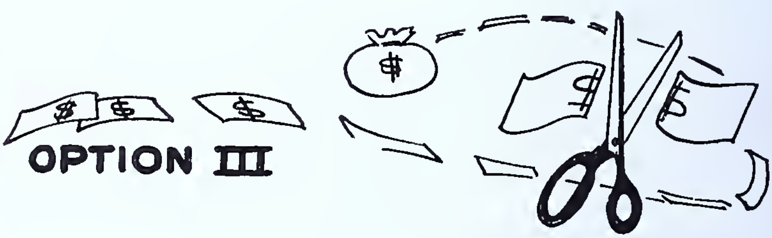
After your death, if the amount remaining in your account—which consists not only of your contributions but an additional amount from the state—is more than $5,000, your beneficiary may elect to receive a monthly annuity rather than the lump sum payment. If the amount remaining is under $5,000, however, only a lump sum payment will be made.

Fourth OPTION II

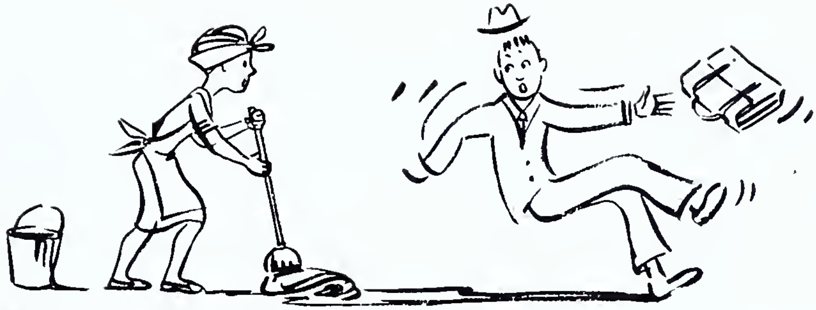


OPTION TWO also provides you a lesser annuity than the Full Retirement Plan, but it continues after your death. Under this plan, when your annuity is figured, both your age and the age of your beneficiary determine how much you will receive. You will be paid the annuity for as long as you live and, after your death, your beneficiary is paid the same amount for as long as he or she lives. This plan does not permit you to change your beneficiary after you have begun receiving your benefits. So if your beneficiary dies before you do, payments stop at your death.

Fifth OPTION III



OPTION THREE is similar to Option Two, except that your monthly benefit will be higher because after your death your beneficiary receives only half the amount paid to you. Again, you cannot change your beneficiary after you retire and if your beneficiary is not living at the time of your death, the payments stop.



Disability Retirement

If you become disabled through injury or sickness, whether in the line of duty or not, and are unable to perform the duties for which you were hired you will be eligible for special benefits, provided you have completed at least five years of state service. On disability retirement you may receive up to one-third your average salary.

Death Benefits

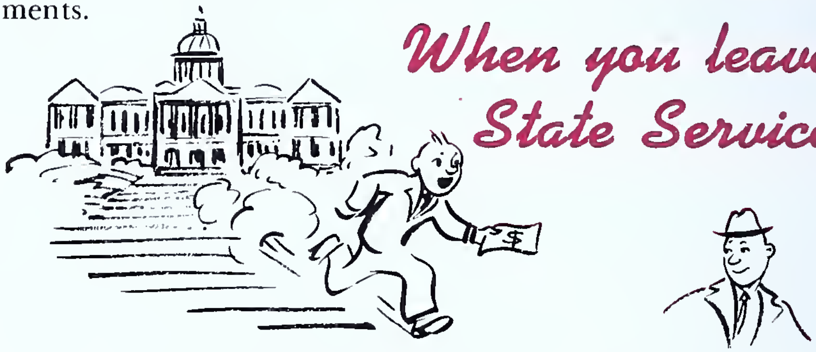
If you die while in state service and are eligible for retirement benefits at the time of your death (that is, if you are either over 60 years of age or had completed 10 years service) the board would compute your annuity as if you had retired one day prior to your death, and pay the annuity to your designated beneficiary in one lump sum—all the money you contributed, the interest it earned, plus the state's share toward your retirement.

As in the Option One retirement plan, if the amount in your account totals $5,000 or more, your beneficiary may elect to receive an annuity rather than the lump sum payment.

When Duty Calls . . . .

If you leave state employment to enter the armed forces to fulfill your draft obligations, you may, if you wish, continue to make your regular contributions into your account so that your military service will apply toward your state retirement.

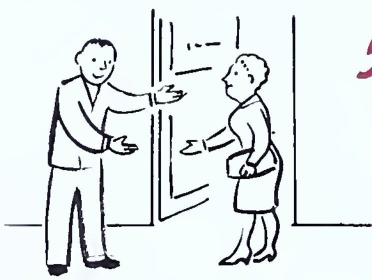
If, in the past, you left state employment to go into the armed forces but did not continue your retirement contributions, you can now pay the contributions so that your time in military service counts toward your retirement. You can arrange to pay the contributions either in one lump sum or in installments.



When you leave State Service

Should you leave your state job before you are eligible for retirement benefits, don't forget to apply for the money in your account.

Your retirement fund is not sent to you automatically when you leave state service. You must apply for it. The best way is to contact your payroll department where you work before you leave and make the necessary arrangements to have the money turned over to you.



If you return to State employment

If you are returning to state employment, you may pay back to the Retirement Board the amount you withdrew from your account—all your previous contributions plus the interest paid you. This will restore your standing in the Retirement System so that your previous service will be counted toward your eventual retirement.

If you had already retired from state service and were receiving monthly pension checks, you do not have to pay back any money. You will merely resume making contributions at the same rate you paid prior to retirement. When you are ready to retire again, your benefits will be computed to take into account your additional contributions and years of service.

YOUR SOCIAL SECURITY NUMBER IS THE "COMBINATION" TO YOUR STATE RETIREMENT ACCOUNT. ALWAYS INCLUDE YOUR SOCIAL SECURITY NUMBER IN ALL CORRESPONDENCE REGARDING YOUR RETIREMENT.